

Special Attention of:

Public Housing Agencies (PHAs);
Secretary's Representatives;
State/Area Coordinators;
Directors, Public Housing
Divisions; Resident Management
Corporations (RMCs)

Issued: March 19, 2001

Expired: March 31, 2002

Subject: Funding of Dire Emergency Utility Costs in the Low Rent Public Housing program

1. **GENERAL**

The Department of Housing and Urban Development (HUD) has \$105 million in Operating Fund resources for FY 2001 that it had not anticipated when its budget was submitted to Congress in January 2000. At the end of FY 2000, there were \$55 million in unobligated and recaptured funds carried forward for use in FY 2001. In addition, Congress appropriated \$50 million more in new funding than requested for the Operating Fund in FY 2001.

HUD intends to use all of the \$105 million to lessen the impact that increased utility rates are having on both PHA-paid utilities and resident-paid utilities. Of the total, \$55 million will be used to meet increased utility costs for Public Housing Agencies (PHAs) that have fiscal years beginning (FYBs) January 1, April 1, July 1, or October 1, 2001. The remainder, \$50 million, will be used to fund dire emergency utility costs being experienced by PHAs with fiscal years ending (FYE) June 30, 2001 or September 30, 2001.

2. **PURPOSE**

The purpose of this Notice is to provide Public Housing Agencies (PHAs) with fiscal years ending (FYE) 6/30/01 and 9/30/01 with a limited opportunity to request a revision of their current year HUD-approved budgets and/or operating subsidy calculations to reflect increased utility rates. Recognition will be given to the impact that increased utility rates are having on both PHA-paid utilities and resident-paid utilities.

This opportunity will be limited to a PHA that can:

- clearly demonstrate that its current utility rates and/or current utility allowance schedules are at least 20% higher than those rates and/or schedules that had been used in its original estimate; and

- evidence that the costs associated with higher utility rates or imposition of higher utility allowances cannot be absorbed within existing operating funds.

Any additional subsidy eligibility approved for a PHA will also take into account:

- whether the PHA has a payable due HUD from mandatory utility adjustments recorded in prior years but not processed.
- the extent to which the PHA is capable of transferring eligible capital funds to the operating budget that would not otherwise be obligated during the fiscal year for urgent needs.

3. WHO MAY NOT SUBMIT A REVISION REQUEST?

A PHA with a FYE 12/31/00 or 3/31/01 is not eligible to submit a revision request because its fiscal year has ended. These two groups of PHAs, however, will have the benefit of using current utility rates when submitting their budgets and/or subsidy calculation for their fiscal year beginning (FYB) January 1, 2001 or April 1, 2001. Utility adjustments for PHAs with FYEs 12/31/00 and 3/31/01 will be included in their subsidy eligibility determinations for their FYB either January 1, 2002 or April 1, 2002.

4. WHO MAY SUBMIT A REVISION REQUESTS?

A PHA or Resident Management Corporation (RMC) that is directly funded by HUD with a fiscal year ending (FYE) 6/30/01, or 9/30/01 will be able to submit a revision request if it meets the conditions noted in the summary. A revision may be accepted from a PHA that is a designated Moving-To-Work (MTW) agency.

5. WHAT MATERIAL MUST BE SUBMITTED TO DETERMINE REVISION REQUEST?

To evidence that PHA-supplied utility rates have increased at least 20% over the initial estimate, PHAs will submit the following material: [Note: the referenced HUD forms have OMB Approval Number 2577-0029]

- the latest approved form HUD-52722-A for the current fiscal year.
- a revised form HUD-52722-A prepared according to instructions in Attachment A.
- the percentage increase in rates computed by comparing line 12 of the latest approved form HUD-52722-A and line 12 of the revised form HUD-52722-A.

To evidence that resident-paid utility allowances have increased at least 20% over the utility allowance schedule in effect at the time of the rent roll used in the determination of dwelling rental income, PHAs are responsible for submitting

worksheets as shown in Attachment B to show the direct relationship between the increased allowances and the decrease in dwelling rental income.

To evidence that a PHA cannot absorb the additional utility costs within its existing operating funds, a PHA will certify that its operating reserves at the time of its revision request are at or below 20% of their budgeted annual routine operating expenses.

6. WHEN MUST THE REVISION BE SUBMITTED?

Eligible PHAs must submit their revision request to the Field Office Public Housing Director or the Troubled Agency Recovery Center (TARC) Director, as applicable, for review and recommendation on or before **April 30, 2001**. Revision requests received after this date will not be processed.

7. WHO APPROVES THE REVISION REQUEST?

Budget and/or subsidy calculation revision requests, following review and recommendation at the field office or TARC level, will be sent to Headquarters for approval/disapproval. HUD Headquarters will provide processing instructions to field offices and TARCs under separate memorandum.

8. PHAS SCORES AND UTILITY COSTS

It is not the intent of HUD that PHAs or RMCs be penalized under the Public Housing Assessment System (PHAS) for having to use existing operating funds for increased utility costs to such an extent that they receive less than standard scores on the PHAS Financial Indicator.

If additional information is needed, please contact Regina McGill, Director, Funding and Financial Management Division, Office of Public and Assisted Housing Delivery. Her phone number is (202) 708-1872.

_____/s/_____
Gloria J. Cousar
Acting General Deputy Assistant
Secretary for
Public and Indian Housing

Attachments